

## Kentucky State Treasurer Strategic Plan

### a. Cabinet Number & Cabinet Name (2 digits)

31– Cabinet of the General Government

### b. Department Number & Department Name (3 digits)

125 – State Treasurer

### c. Office/Unit Number (Optional) & Office/Unit Name

### d. Agency Strategic Plan Origination Date

October 1, 2011

### e. Agency Strategic Plan Update/Revision Date

### f. Agency Strategic Plan Revision Number

N/A

### I. Agency Mission Statement

To protect and maximize taxpayer dollars, promote economic growth, and help Kentucky families invest in their futures.

### II. Agency Vision Statement

A responsible, efficient, and transparent agency responsive to the needs of customers and the citizens of Kentucky.

### III. Agency Organizational Core Values

To have efficient, streamlined, and accurate accounting.  
To be responsive to the needs of customers and the citizens of Kentucky.

To be transparent in business practices and foster greater transparency in government agencies.

To provide excellent customer service to all internal and external customers.

To educate leaders and constituents to better enable Kentuckians to safeguard their own financial interests.

<p style="text-align: center;">IV. Statement of Alignment with the Governor's Strategic Themes/Goals</p>
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A. Create Careers and Economic Opportunities

Although the State Treasurer has limited ability to directly impact job creation, the agency has a critical mission to promote economic growth within Kentucky. The agency's strategic plan emphasizes this role through collaboration with other entities directly responsible for job creation and by striving to maximize the efficiency of the agency's processes that serve the citizens and businesses within the Commonwealth. Through the efficient operation of the agency, funds that are processed by state agencies will be available for critical programs. Additionally, payments due to outside entities will be made in a timely fashion so that those funds are available to the businesses and citizens of Kentucky. Additionally, the agency's efforts to efficiently administer the provisions of the Escheats law returns funds to the rightful owners and makes those funds available to be used within the Commonwealth's economy. This represents tens of millions of dollars each year that can be used rather than being dormant.

## B. Create a Healthier Kentucky

N/A

## C. Enhance Educational Excellence

As a member of the Kentucky Lottery Board, Treasurer Hollenbach has worked to ensure that funding has been sufficient to finance initiatives to improve the access to higher education for Kentucky's citizens. As an agency, Treasury has collaborated with educational institutions to improve the quality of financial education in the Commonwealth. Going forward, the agency will build on these efforts to help Kentucky's families invest in their futures by contributing to educational efforts to improve the understanding of financial issues at the microeconomic (family, individual, individual business) and macroeconomic (government and industry) levels.

By sponsoring educational forums for legislators, policy makers, industry leaders and educators, the agency has built a foundation for continued efforts that will improve the fiscal policy of government and help navigate the Commonwealth through the current and future economic times. Treasurer Hollenbach views fiscal reform for the Commonwealth of Kentucky as a question of "when," not "if." Moreover, when fiscal reform does occur, having well informed policy makers (and stakeholders) should produce the best fiscal outcomes for Kentucky. Financial literacy is often envisioned in the limited terms of personal financing matters (micro level). However, a complete definition of Financial Literacy should also include the knowledge of state fiscal matters (macro level). Joining those two concepts, Treasurer Hollenbach created a Fiscal Literacy Initiative to bring the latest academic research and fiscal information to Kentucky's policy makers.

By contributing to and promoting efforts to educate individuals and families about financial issues, the agency will help to equip the

citizens of Kentucky to thrive and be economically successful. As an example of this commitment Treasurer Hollenbach demonstrated “Financial Football”- an NFL-themed interactive, money management video game-with NFL quarterback Brian Brohm at Central High School in Louisville, KY and in Lexington, KY at Henry Clay High School with NFL quarterback Andre Woodson. Treasurer Hollenbach believes financial education is critical for young people and will be initiating more financial literacy programs. The goal is to help educate students and get them thinking about good financial decisions.

#### D. Ensure Safe Communities

N/A

#### E. Enhance Responsible Governance

The Department of the State Treasurer strives diligently to enhance responsible governance in every facet of operation and through collaboration with other agencies to promote transparency and accountability throughout government. Treasurer Hollenbach has been the driving force behind the Vendors Income and Expense Watch (V.I.E.W.), Governor Beshear called the V.I.E.W. initiative, “a pioneering effort by Treasurer Todd Hollenbach that allows citizens to search all of the state’s vendor and contractor data.” Treasurer Hollenbach believes that people have a right to know how State Government spends their money and that through e-transparency, the citizens of the Commonwealth will have a tool to scrutinize the spending of their tax dollars. As an agent of responsible governance the Treasury:

- Records, verifies and pays all federal, state and local withholding taxes for employees of the Commonwealth.
- Implements court ordered attachments against the salaries of state employees or moneys owed to state vendors.

- Makes timely deposit of incoming revenues from state agencies.
- Records, monitors and reconciles all transactions in the state's depository and checking accounts.
- Performs critical functions that ensure compliance with the Federal Cash Management Act of 1990.

## V. Statement of Alignment with the Agency's Budget Request & 6-Year Capital Plan

The agency's strategic plan aligns with the Biennial Budget request and Capital Plan although the ability to implement many of the critical initiatives will be severely limited by the current fiscal condition of the Commonwealth. Within the baseline budget funding, the agency maintains the current level of staffing with the recent addition of positions to address the additional demands placed on the agency by the new personnel and payroll system (KHRIS) and the duties assumed by the agency for processing required payroll withholding such as child support orders, federal and state tax levies, bankruptcy payments, creditor garnishments, and student loan garnishments against all employees, and tax levies and non-wage garnishments against state vendors. In addition, the agency has been required to perform many additional duties as a result of the recent change in the state banking contract. With the move to a new vendor the workload has greatly increased to accommodate the system requirements and modified internal processes.

The agency's strategic plan addresses the need for capital expenditures in alignment with the Capital Plan through the recent addition of two new Xerox check printers and pressure sealers. These pieces of equipment replace units that were exceeding their useful life and had been the cause of frequent breakdowns and subsequent delays in processing Treasury checks. The resulting expenditures for new equipment and the required maintenance

agreements result in a net savings to the Commonwealth from the high costs of maintaining the old equipment. Installation of the new equipment has resulted in increased efficiency of the agency operations and the equipment can function at a higher volume than the equipment that was replaced. The additional capacity reflects a potential efficiency through a greater economy of scale for the agency's operations.

## VI. Situation Analysis/Environmental Analysis

### A. Organizational Description (Internal Environment)

The Department of the State Treasurer consists of three Divisions: Unclaimed Property, Disbursements and Accounting, and General Administration and Support. Each of these Divisions performs functions critical to the mission of the Treasury and to the success of this strategic plan.

The General Administration and Support Division provides management support for Treasury, including fiscal control, personnel administration, policy development and implementation. This Division is the focal point of all payment and receipt processes for all of Kentucky state government. In addition, this division is responsible for setting the overall administrative and program policies of Treasury. They execute and coordinate departmental programs and initiatives, as well as activities of various task forces, commissions, and special projects. This staff serves as Treasury's liaisons with Federal, State and local officials, private sector representatives, and the general public on issues related to Treasury statutory functions, operations, and mission.

The administrative arm of this division provides management support for Treasury, including budgeting, fiscal control and accountability, personnel administration, policy development and implementation, monitoring of expenditures, balancing financial records within the

state accounting system, contract procurement and oversight, capital planning, and communications with other state agencies such as the Legislative Research Commission (LRC), Governor's Office for Policy and Management (GOPM), and the Finance and Administration Cabinet. All personnel matters of the department, which includes processing of all personnel actions and payroll functions as well as employee benefits, records, training and development, are administered through this division. Administrative staff are responsible for identifying departmental legislative needs, drafting and tracking legislative proposals, attending legislative committee meetings and working with committee staff, promulgation of administrative regulations, working with LRC staff and members of the General Assembly.

The Support Information Systems Branch within this division is responsible for the printing of millions of checks and payment stubs annually as well as processing millions of electronic ACH payments and printing tens of thousands of federal W-2 forms for state government employees. Additionally, this branch must accurately account for the receipt, release and processing of all statewide check writer files processed through the state accounting system. These payment files generate payments for programs such as unemployment insurance benefits, public assistance payments and many other critical programs that put billions of dollars into Kentucky's economy. This branch is also responsible for receiving and programming data for the generation of reports necessary to reconcile the various accounts of the Commonwealth and the state Depository; the transmission of data to and from the State Depository to various state agencies; and for the creation and issuance of manual warrants and supplemental checks as directed by the Finance and Administration Cabinet. The Network Administration Branch is responsible for the maintenance, support, and security of Treasury's information systems.

The Division of Disbursements and Accounting is comprised of three branches. The primary responsibilities of this division are the timely

and accurate depositing of all physical payments coming into the Commonwealth for all agencies, the identification and posting of all incoming electronic payments, the reconciliation of the state's central bank accounts, the calculating, depositing, and reporting of all Federal, State, and Local taxes for all state employees, the processing and reporting of all court-ordered withholdings on state employees and vendors, the distribution of all checks written by the Treasurer, and the processing of other special payments and records of the Commonwealth.

The Deposits and Withholding Branch has four full time employees working in two distinctly different areas—the Deposit Room and the Tax Withholding Section. The Treasury Deposit Room receives scans, transmits, balances, and posts to the state accounting system all checks and cash from all state agencies. During Fiscal Year 2011 this staff processed almost two million checks and more than 33,000 separate accounting documents totaling more than \$8.8 billion dollars in receipts. The Treasury Deposit Room fills a critical role in making certain that the Commonwealth has the funds to operate on a daily basis. All state agencies are impacted by its operations.

The Tax Withholding and Reporting Section of this branch calculates, pays, and reports all Federal, State, and Local taxes withheld from the salaries of all employees paid through the state's payroll system and several stand-alone payroll systems operated by state agencies. The staff calculates and pays local taxes to more than 200 different taxing entities throughout the state, preparing all quarterly tax returns and annual reconciliations for those entities. The staff also calculates and pays the Federal taxes owed on non-employee payments made by the Commonwealth, such as withheld taxes on Unemployment Insurance payments and on retirement benefits for the state's retired teachers and state and county employees. This staff prepares the Quarterly Federal Form 941 tax returns for payroll withholdings and the Annual Federal Form 945 tax return for non-payroll withholdings. This staff makes all refunds for federal, state, and local taxes withheld in error through the payroll



system. In addition, this staff reissues all forgery collections and all stale-dated checks returned to the Treasury Department for payment.

The Accounting Branch reconciles the tens of thousands of transactions in the state's central bank accounts. On a daily basis the staff monitors and reconciles the checks that are paid to detect any fraudulent or erroneous payments. They receive, confirm, release and transmit to the bank all FedWire transfers for the Commonwealth. In addition, all electronic payments coming into the Commonwealth are identified, verified, and released by this branch.

The Special Payments and Records Branch processes and remits payments on all court-ordered withholdings for all state agencies, issues all stop payments for lost or stolen Treasury-issued checks, disburses all checks written by the Treasury, and provides copies of cancelled checks needed for legal, investigative, or informational purposes. The "Garnishment Desk" receives, identifies, processes and pays all child support orders, federal and state tax levies, bankruptcy payments, creditor garnishments, and student loan garnishments against all employees, and tax levies and non-wage garnishments against state vendors. These personnel are critical to the implementation and successful operation of the Commonwealth's new payroll and personnel system (KHRIS). With the implementation of the KHRIS system, this staff assumed responsibility for centrally entering and releasing all court ordered deductions rather than distributing the orders to the individual agencies for entry. This change necessitates additional staff for the Branch but provides efficiencies and workload relief to the other agencies within state government.

The Unclaimed Property Division is responsible for administering the provisions of KRS Chapter 393 relating to the Escheats Law. This program receives unclaimed property, reports of unclaimed property from business entities, and identifies rightful property owners. This Division prepares the annual holder reporting booklet used by business entities across the Commonwealth to report all unclaimed

property in their possession as identified by KRS Chapter 393 to the Department of Treasury. In addition, this Division identifies the rightful owners of Unclaimed Property and conducts outreach to the citizens of the Commonwealth to return said property. This Division processes and inventories safe deposit box contents and attempts to return the contents to the rightful owners.

## **B. SWOT Analysis**

### **1. Strengths**

**Treasury has an experienced, resourceful, and dedicated workforce.** Although the number of staff has been scaled down to the bare minimum necessary to continue effective operation, the individuals within the workforce are committed to the mission of the agency and work to meet the ever-increasing demands placed upon them.

**Treasury has strong community partnerships and has collaborated with community agencies, local government, and other state agencies to meet the needs of the citizens of Kentucky.** As an example of multi-level collaboration, the Treasure Finders program demonstrates the tremendous impact of the agency's work with local governments and members of the local communities to leverage resources and maximize the return of property to the communities. To serve our veterans, the agency collaborates with the Department of Military Affairs and Department of Veterans Affairs to return military items such as medals and awards currently housed in the Treasury vault to the rightful owners. In addition to these efforts, The agency's partnership with KHEAA promotes Financial Literacy throughout the Commonwealth.

**Treasury has an environment of continuous improvement which promotes teamwork and creativity.**

The staff is encouraged to find more efficient and effective ways to meet the demands of their workload and the various organizational units work closely to assist one another as needs arise. The demands placed on the agency by the recent changes in the state banking contract have challenged the entire team and required all staff to collaborate and problem solve on a daily basis.

**Treasury has a proactive management team.** All members of the management team work to find solutions to existing problems and anticipate future challenges. Although there are many challenges resulting from the implementation of the KHRIS system, the change in the state banking contractor, and the current budgetary constraint, the members of the management team have worked closely with the staff to meet each challenge.

## 2. Weaknesses

**Treasury has a small staff vulnerable to loss of institutional knowledge.** Although the staff is very dedicated, the concentration of institutional knowledge in a few individuals makes the agency vulnerable to the loss of staff through transfer, retirement, or health issues.

**Treasury's Information Technology (IT) infrastructure lacks current equipment and is dependent upon other agencies.** Currently the computers used by agency staff are nearing the end of their useful life. Additionally, the processes for the IT system are housed behind the Commonwealth Office of Technology's firewall but the agency does not have firewall protection from potential vulnerability to other state agencies.

**Treasury has been unable to segregate job duties adequately due to the limited number of positions.** IT knowledge is very concentrated and the agency has had this liability confirmed by the State Auditor's office.

**Facilities Security onsite police protection has been scaled back due to budgetary constraints leaving the facility and equipment vulnerable for extended periods on a daily basis.** The agency is very concerned about the increased vulnerability and the increased risk posed to the facilities and equipment.

### 3. Opportunities

**Treasury has the opportunity for increased collaboration with community partners.** The success of the Treasure Finders program suggests that the continued operation of the outreach program and the expansion throughout the state will result in more property returned to the rightful owners. This can have a significant financial impact on the local communities.

**Treasury has the opportunity for increased web capabilities.** Current processes are still very dependent upon paper documents and are labor intensive. The strategic plan seeks to increase the utilization of the internet to streamline processes and increase the access of Kentuckians to their information and property.

**Treasury has the opportunity for increased collaboration with other state agencies.** As all agencies struggle to meet increasing demands without additional funding, the agency will seek to maximize resources and leverage funding with other state and local agencies.

**Treasury has the opportunity to demonstrate Executive Branch leadership and focus on strategic planning.** The agency's expertise and unique position within state government allows for the Treasurer to contribute to the effective administration and success of many state agencies and programs. Involvement with the Lottery Board, State Investment Commission, Teachers' Retirement System, and other roles demonstrate the importance of the agency's participation.

#### 4. Threats

##### **Budget Reductions**

The agency operating budget cannot absorb additional budget reductions without severely damaging the critical functions of the agency.

##### **Staff Turnover**

Loss of key staff would damage the continuity of agency operations.

##### **Banking Contract Changes**

The transition to a new vendor for the state banking contract has resulted in tremendous challenges for the agency. Many of the previously established processes are no longer applicable and the ability of the agency to adequately reconcile all transactions has been hindered.

##### **KHRIS Implementation**

The challenges encountered throughout the implementation of the state's new personnel and payroll system have resulted in many additional demands being

placed upon the agency. Many of the currently unresolved issues with this system may result in significant changes for Treasury processes.

### C. Critical Success Factors & Key Organizational Challenges

The most critical success factor for this agency is to maintain an adequate level of funding to support the staff level and equipment necessary to meet the workload demands. The agency management is committed to maximizing efficiency and leveraging resources whenever possible, but effective performance of the agency's mission requires a staffing level that exceeds the current level. Findings from the State Auditor's office have noted the liabilities of failing to have adequate segregation of job duties. The additional responsibilities assumed by the agency as a result of the changes in the state banking contract as well as the implementation of the KHRIS system have also required additional staffing. Replacing equipment that has begun to exceed its useful life is a critical factor in continuing agency operations. Processes that are dependent upon efficient equipment operation are threatened and the lack of excess production capacity results in immediate delays when equipment is not operational.

Secondly, the agency must increase the use of the internet to meet the needs of Kentucky's citizens. The existing agency resources are inadequate and additional resources and expertise will be crucial to maximizing the agency's use of internet resources. Access to programmers and web hosting services will be essential and the collaboration with the Commonwealth Office of Technology is crucial to effective IT development. Many of the labor intensive processes currently in place could be replaced through effective web based resources.

Additionally, the agency must prepare for staff turnover and the changes in leadership through increased training and cross-training of staff. The exceptional staff currently in place have been dedicated to meeting the needs of the agency through the transition of the state banking contract and the implementation of the KHRIS system. In addition to meeting these challenges, the organization must focus on adding key personnel and implementing a training and personal development plan for existing staff so that the agency can be more flexible and less vulnerable to staff turnover.

<h2>VII. Measurable Goals, Objectives &amp; Key Performance Indicators</h2>
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Goal 1 – To have efficient, streamlined, and accurate internal accounting.

Goal KPI 1.1 – Fill all currently approved vacant positions and complete staff training.

Objective 1.1.1 – Fill approved vacant positions

1.1.1.1 – Complete interviews for currently vacant positions.

1.1.1.2 – Submit personnel documentation for selected candidate.

1.1.1.3 – Selected candidates begin work by early 2012.

Objective 1.1.2 – Fully train new staff

1.1.2.1 – Complete initial staff training for newly hired employees.

1.1.2.2 – Prepare training plan and goals with new staff.

1.1.2.3 – Review progress toward meeting training goals with new staff and adjust training schedule as appropriate by mid-2012.

Goal KPI 1.2 – Fully reconcile accounts involved in crossover due to state banking contract transition.

Objective 1.2.1 – Reconcile an initial account to test the data obtained from the new vendor.

1.2.1.1 – Review vendor data.

1.2.1.2 – Reconcile vendor file with internally generated file to match transactions.

1.2.1.3 – Review results of reconciliation with management.

Objective 1.2.2 – Reconcile remaining accounts to data obtained from new banking contract vendor

1.2.2.1 – Prepare crosswalk of accounts and action plan for account reconciliation.

1.2.2.2 – Review crosswalk and action plan with management.

1.2.2.3 – Review progress on action plan with management monthly and adjust as appropriate with completion by mid-2012.

Goal KPI 1.3 – Complete KHRIS implementation

Objective 1.3.1 – Complete agency tasks resulting from KHRIS implementation.

1.3.1.1 – Prepare action list of agency tasks to be completed.



1.3.1.2 – Identify agency staff responsible for each task

1.3.1.3 – Assign tasks to responsible parties with deadlines for completion.

1.3.1.4 – Review progress toward completion with management monthly beginning early 2012.

Goal 2 – To be transparent in business practices and foster greater transparency in other government agencies.

Goal KPI 2.1 – Increase the amount of agency information provided to the public.

Objective 2.1.1 – Determine what information collected by the agency is appropriate to make publicly available.

2.1.1.1 – Prepare a list of all agency reports and publications currently produced.

2.1.1.2 – List all statistical analyses currently conducted by the agency.

2.1.1.3 – Review lists with agency management team and other stakeholders to determine appropriateness of publication by mid-2012.

Objective 2.1.2 – Publish information determined to be appropriate or make access available through the internet.

2.1.2.1 – Review list of documents with IT staff and appropriate outside resources to determine most appropriate format for publication.

2.1.2.2 – Assign responsibility for data collection and dissemination to appropriate agency staff.

1.1.2.3 – Review progress quarterly with management to review progress toward making information publicly available by Fourth Quarter 2012.

Goal KPI 2.2 – Encourage other state agencies to be more transparent.

Objective 2.2.1 – Educate agency heads to increase awareness of issues related to transparency.

2.2.1.1 – Prepare talking points to be discussed in public forums as well as in Executive Branch leadership meetings.

2.2.1.2 – Address Executive Branch leadership about transparency by mid-2012.

2.1.1.3 – Prepare talking points for the Governor to use in public forums about the benefits of increased transparency in state government as necessary.

Goal 3 – To educate leaders and constituents to better enable Kentuckians to safeguard their own financial interests.

Goal KPI 3.1 – Provide educational opportunities to legislators, policy makers, industry leaders, and educators to increase their understanding of financial issues.

Objective 3.1.1 – Sponsor a financial seminar,

3.1.1.1 – Solicit agenda items and subject recommendations from stakeholders.

3.1.1.2 – Choose subject area experts and invite them to participate.

3.1.1.3 – Publicize event and invite attendees.

3.1.1.4 – Conduct event as Legislative calendar permits.

3.1.1.5 – Solicit feedback and evaluate event.

Objective 3.1.2 – Increase the number of financial trainings provided to local officials and to the general public.

3.1.2.1 – Identify target audiences.

3.1.2.2 – Solicit collaboration from agencies and organizations involved with the target audiences to leverage resources.

3.1.2.3 – Publicize events and invite attendees on a continual basis as events can be scheduled.

3.1.2.4 – Conduct the events, solicit feedback, and evaluate the events on an ongoing basis.

Goal 4 – To increase the economic impact of the Treasure Finders program.

Goal KPI 4.1 – Increase the total funding returned to Kentucky communities.

Objective 4.1.1 – Identify appropriate outreach strategies.

4.1.1.1 – Create an asset map of resources currently held by Treasury by early 2012.

4.1.1.2 – Review asset map for clusters of eligible individuals in Kentucky communities and for significant amounts of funds held that are eligible to be returned to those communities.

4.1.1.3 – Identify community resources that can be leveraged to return funds on an ongoing basis as specific communities are targeted.

4.1.1.4 – Determine most appropriate strategies for targeting each community in collaboration with local resources on an ongoing basis.

Objective 4.1.2 – Implement strategies to conduct Treasure Finders outreach activities in targeted communities.

4.1.2.1 – Conduct Treasure Finders outreach activities in targeted communities on an ongoing basis.

4.1.2.2 – Publicize the individual events and the results to maximize public awareness of the resources.

4.1.2.3 – Review progress toward meeting financial targets and revise strategies as appropriate based on results.

Goal KPI 4.2 – Increase the penetration rate of the Treasure Finders program and increase access to unclaimed property for Kentuckians.

Objective 4.2.1 – Remove barriers to accessing unclaimed property.

4.2.1.1 – Review agency processes to identify barriers to accessing unclaimed property.

4.2.1.2 – Meet with stakeholders to determine strategies for removing barriers by mid-2012.

4.1.1.3 – Prioritize strategies based upon the ease of implementation and the potential impact.

4.1.1.4 – Implement strategies on an ongoing basis and measure the increased access to unclaimed property on an ongoing basis.

## VIII. Strategic Plan Progress Report on Goals & Objectives Operable in the Last year

Although none of the goals and objectives contained in this strategic plan were formally operable in the last year, the informal progress of the agency has been documented elsewhere in the narrative of this document. In addition, Treasury has provided evidence of progress on the agency web site. Having completed the strategic planning process, the agency will be able to formally report on the specific goals and objectives in subsequent years.